

**SCOMI MARINE BHD (397979-A)  
(Incorporated in Malaysia)**

**A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT – FRS 134**

**A1 Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) 134 Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008.

**A2 Significant Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

At the date of authorization of these interim financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

<b>FRSs and Interpretations</b>		<b>Effective for financial periods beginning on or after</b>
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

**A2 Significant Accounting Policies (“continued”)**

The adoptions of the above FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the interim financial statements of the Group. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS 139.

**A3 Audit Report for Preceding Annual Financial Statements**

The audit report for the Group’s annual financial statements for the year ended 31 December 2008 was not subject to any qualification.

**A4 Seasonal or Cyclical Factors**

The Group’s operations are generally not affected by any seasonal or cyclical factors.

**A5 Unusual Items**

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review.

**A6 Changes in Estimates**

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date during its review for impairment of goodwill.

The key assumptions and other key sources of estimation uncertainty mentioned above that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial period are in respect of those made during the review of impairment of goodwill. The Group determines whether goodwill is impaired on an annual basis. Estimating the value in use requires the Group to make an estimate of the expected future cashflows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cashflows. The carrying amount of goodwill as at 30 June 2009 was RM453.035 million.

There were no changes in estimates that have had a material effect in the results for the quarter under review.

**A7 Debt and Equity Securities**

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and debt equity securities during the financial period under review.

**A8 Dividend Paid**

	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b><i>Interim dividend:</i></b>		
Tax exempt dividend of 1.40% per share declared and paid in respect of the financial year ended 31 December 2008, paid on 9 January 2009	-	10,262
<b><i>Final dividend:</i></b>		
Tax exempt dividend of 1.25% per share declared and paid in respect of the financial year ended 31 December 2007, paid on 11 September 2008	-	9,162
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**A9 Segment Reporting**

Segment information for the financial period as presented in respect of the Group's business segment.

	<b>Investment holding RM'000</b>	<b>Marine Services RM'000</b>	<b>Intersegment elimination RM'000</b>	<b>Total RM'000</b>
<b>REVENUE AND RESULTS</b>				
<b>REVENUE</b>				
External sales	-	221,309	-	221,309
Inter-segment dividends	14,707	-	(14,707)	-
Total revenue	14,707	221,309	(14,707)	221,309
<b>RESULTS</b>				
Profit/(Loss) from operations	7,464	37,354	(14,707)	30,111
Interest expense	(4)	(18,523)	-	(18,527)
Interest income	14	775	-	789
Share of profits in associated companies	-	26,359	-	26,359
Profit before taxation	7,474	45,965	(14,707)	38,732
Taxation				(3,819)
Profit after taxation				34,913
Minority interests				(956)
Profit attributable to shareholders of the Company				33,957

**A9 Segment Reporting ("continue")**

	<b>Investment holding RM'000</b>	<b>Marine Services RM'000</b>	<b>Intersegment elimination RM'000</b>	<b>Total RM'000</b>
<b>ASSETS AND LIABILITIES</b>				
<b>ASSETS</b>				
Assets employed in the segment	857,731	1,403,972	(812,314)	1,449,389
Investment in associated companies	-	297,248	-	297,248
Unallocated assets	-	-	-	10
Total assets				<u>1,746,647</u>
<b>LIABILITIES</b>				
Liabilities in segment	8,771	1,430,415	(765,400)	673,786
Unallocated liabilities	-	-	-	2,304
Total liabilities				<u>676,090</u>
<b>OTHER INFORMATION</b>				
Capital expenditure	-	27,828	-	27,828
Depreciation of Property, plant and equipment	-	24,279	-	24,279
Other significant non-cash expenses:				
- share base payment expenses	610	-	-	610

**A10 Valuation of Property, Plant and Equipment**

There were no changes to the valuation of property, plant and equipment brought forward from the previous annual financial statements.

**A11 Material Subsequent Events**

There were no material events subsequent to the end of the quarter under review that has not been reflected in these condensed financial statements for this quarter.

**A12 Changes in Composition Of The Group**

There were no other changes in the composition of the Group for the current quarter.

### A13 Contingent Liabilities

Details of contingent liabilities of the Group as at 4 August 2009 is as follows:-

	<b>RM'000</b>
Bank Guarantees issued for charter marine contracts	38,755
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### A14 Capital Commitments

There are no capital commitments for the Group as at 4 August 2009 except for the following:

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Approved and contracted for	3,046
Approved but not contracted for	50,214
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The future minimum lease payments under non-cancellable operating leases as at June 30, 2009 are as follows:

In respect of:	Expiring within one year RM'000	Expiring between one to five years RM'000
Rental of office premises	417	-
Re-charter vessel contracts	39,457	26,005
	<u>39,874</u>	<u>26,005</u>

The currency exposure profile of the operating lease commitments is in United States Dollar.

### A15 Related party transactions

	<b>Current quarter 3 months ended 30 June 2009 RM'000</b>	<b>Cumulative quarter 6 months ended 30 June 2009 RM'000</b>
<b><i>Transactions with associated companies</i></b>		
Agency and management fees paid	336	678
Agency fee income	12	24
<b><i>Transactions with substantial shareholders</i></b>		
Management fee charged	64	129
Office rental paid/payable	26	44

**A15 Related party transactions ("continued")**

	<b>Current quarter 3 months ended 30 June 2009 RM'000</b>	<b>Cumulative quarter 6 months ended 30 June 2009 RM'000</b>
<b><i>Transactions with companies of which certain substantial shareholders have interests</i></b>		
Admin and support services paid	69	139
Secretarial fees paid	21	43
Rental charges	69	138
Chartering income receivable	3,959	7,897
Air ticket cost charged	50	90
Car rental expense	-	13
Computer software application fees	44	94
Commission income	108	222

The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Group and the Company than those arranged with independent third parties.

## **B BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

### **B1 Review of Performance**

Revenue for the 3 months ended 30 June 2009 was lower at RM110.9 million compared to RM117.0 million recorded in the corresponding quarter in FY2008. The revenue has decreased by RM6.1 million due to lower tonnage carried for our coal division. The offshore support division recorded slightly better revenue by RM0.3 million.

The Gross Profit margin for the quarter was higher at 26.2% compared to 18.2% in the corresponding quarter through improved operations management i.e. lower bunker and docking expenses.

The Group's PATAMI for the current quarter increased by RM8.3 million or 57.4% compared to the corresponding quarter last year of RM14.5 million. The increase in PATAMI is attributable to improved Gross Profit margin as explained above.

### **B2 Comparison of The Current Quarter Results Against Preceding Quarter**

The revenue of the Group for the current quarter slightly increased by RM0.5 million or 0.4% compared to RM110.4 million in the preceding quarter. The Gross Profit Margin in the current quarter is higher at 26.2% than the preceding quarter of 18.8%. The higher Gross Profit Margin in the current quarter is mainly due to improved operations management i.e. lower re-charter fees and docking expenses.

The PATAMI of RM22.8 million for the current quarter, improved by 105.4% compared to RM11.1 million recorded in the preceding quarter. The improvement in Gross Profit margin and higher share of profit in associated companies contributed to this favourable variance.

### **B3 Current Year Prospects**

There are signs of pick up in production for the mines which should see a better second half in terms of tonnage. We continue to be diligent in our cost management and the lower fuel price compared to FY2008 is expected to translate into lower operational expenses for the division.

The offshore support division's charter rates are expected to remain stable over the coming months. With the delivery of an Accommodation Barge to our subsidiary, PT Rig Tenders Tbk in June 2009, we foresee increased contribution from the division. There are also plans to add to our current fleet as current vessel prices are attractive with opportunities to secure charter contracts in our existing markets.

Our associate, CH Offshore Limited is expected to take delivery of the final two (2) 12,240bhp vessels in November 2009 and February 2010 which would bring its total deepwater fleet to seven (7).

We are confident about the long term fundamentals of both the Oil and Gas and coal industries but will maintain prudence in the current environment.

### **B4 Profit Forecast**

This section is not applicable as no profit forecast was published.

**B5 Taxation Charge**

Taxation comprises the following:-

	<b>Current quarter 3 months ended 30 June 2009 RM'000</b>	<b>Cumulative period 6 months ended 30 June 2009 RM'000</b>
Malaysian Income taxation		
- Current year	5	10
Foreign Income taxation		
- Current year	2,018	3,809
Total	<u>2,023</u>	<u>3,819</u>
Effective tax rate	<u>7.9%</u>	<u>9.9%</u>

The effective tax rate for the current quarter presented above is lower than the statutory tax rate principally due to the tax exempt status for income derived from shipping operations in Singapore.

**B6 Unquoted Investments and Properties**

There was no sale of unquoted investments and properties for the quarter under review and financial year.

**B7 Particulars of Purchase Or Disposal Of Quoted Securities**

There was no purchase or disposal of quoted securities for the current quarter under review and financial year.

**B8 Corporate Proposals**

The Group does not have any corporate proposals announced and not completed as at the date of this announcement.

**B9 Group Borrowings**

The Group borrowings as at 30 June 2009 are as follows:-

	<b>RM'000</b>
Short term borrowings (secured)	116,532
Long term borrowings (secured)	453,292
	<u>569,824</u>

## B9 Group Borrowings (“continued”)

The currency exposure profile of the Group borrowings is analysed as follows:

	<b>RM'000</b>
Malaysia Ringgit	128
United States Dollar	569,464
Singapore Dollar	232
	<u>569,824</u>

## B10 Off Balance Sheet Financial Instruments

### Interest rate swap

The Group uses interest rate swaps to manage its exposure to interest rate movements on its term loans by swapping a proportion of those term loans from floating rates to fixed rates.

At 30 June 2009, the outstanding interest swap contracts to which the Group is committed are as follows:

	<b>The Group</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Notional value	463,808	485,738
Fixed interest rates	3.74% to 4.95%	3.74% to 4.95%
Floating interest rates	0.36% to 3.5%	2.19% to 3.01%

As at 30 June 2009, the Group uses interest swaps to manage its to interest rate movements on its term loan by swapping a proportion of those term loans from floating rates to fixed rate. The outstanding interest rate swaps are as follows:

- (a) On 2 November 2006, the Group entered into an interest swap transaction agreement with a bank to fix its floating interest rate at 4.895% p.a. The effective date of the swap transaction is on 28 February 2007 with a notional amount of RM51.750 million (which is denominated in US Dollar, equivalent to USD 15 million). The termination date of the agreement is 31 August 2011.
- (b) On 2 November 2006, the Group entered into an interest swap transaction agreement with a bank to fix its floating interest rate at 4.95% p.a. The effective date of the swap transaction is on 28 February 2007 with a notional amount of RM51.75 million (which is dominated in US Dollar, equivalent to USD15 million). The termination date of the agreement is 31 August 2011.

**B10 Off Balance Sheet Financial Instruments ("continued")**

- (c) On 10 September 2007 the Group entered into an interest rate swap transaction agreement with a bank to fix its floating interest rate at 4.59% p.a. The effective date of the swap transaction is on 9 October 2007 with a notional amount of RM338.6 million (which is denominated in US Dollar, equivalent to USD99.0 million). The termination date of the agreement is 6 September 2009.
- (d) On 1 October 2007, the Group entered into an interest rate swap transaction agreement with a bank to fix its floating interest rate at 4.56%p.a. The effective date of the swap transaction is on 2 October 2007 with a notional amount of RM44.05 million (which is denominated in US Dollar, equivalent to USD12.880 million). The termination date of the agreement is 27 November 2009.
- (e) On 16 September 2008, the Group entered into an interest rate swap transaction agreement with a bank to fix its floating interest rate at 3.74%p.a. The effective date of the swap transaction is on 27 November 2009 with a notional amount of RM29.978 million (which is denominated in US Dollar, equivalent to USD8.740 million). The termination date of the agreement is 26 August 2014.

Other than those disclosed, there were no other financial instruments with off balance sheet risks as at the end of the current quarter.

**B11 Material Litigation**

There was no pending material litigation at the date of this quarterly report.

**B12 Proposed Dividend**

No dividend has been proposed in respect of the quarter under review.

## B13 Earnings Per Share

	Current Quarter		Cumulative Quarter	
	3 months ended 30 June 2009	3 months ended 30 June 2008	6 months ended 30 June 2009	6 months ended 30 June 2008
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company	22,842	14,515	33,957	24,986
Weighted average number of ordinary shares in issue ('000)	733,009	733,009	733,009	733,009
Basic earnings per share (sen) :-				
Profit for the period	3.12	1.98	4.63	3.41
<b>Fully diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM'000)	22,842	14,515	33,957	24,986
Weighted average number of ordinary shares in issue ('000)	733,009	733,009	733,009	733,009
Assumed shares issued from the exercise of ESOS ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	733,009	733,009	733,009	733,009
Diluted earnings per share (sen):-				
Profit for the period	n.a	n.a	n.a	n.a

The assumed conversion of ESOS for the current quarter and the current year to date has an anti-dilutive effect on the earnings per share of the Group.

## B14 Authorised For Issue

The interim financial statements were authorized for issue on 11 August 2009 by the Board of Directors.